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SUBJECT: SCENESETTER FOR SOCIAL AFFAIRS AND EMPLOYMENT  
MINISTER DE GEUS VISIT TO LABOR SECRETARY CHAO

#### Overview of De Geus Visit

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11. (U) Minister of Social Affairs and Employment Aart de Geus is in the United States to examine U.S. approaches to work place issues related to family and child care. His visit is part of broader information-gathering effort to identify effective labor and social welfare policies, in preparation for development of policy proposals in these areas by the Dutch government. De Geus is interested in comparing the United States' "private sector" approach to the welfare state approach of the Scandinavian countries.

12. (U) In addition to his meeting with Labor Secretary Chao, De Geus will meet with academics, think tanks and state government officials. He will be accompanied on the trip by his political advisor, Jeroen de Graaf; the Ministry's Secretary General, Maarten Ruijs; and the Director of the

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Labor and Care Section; Peter Stein. In New York, he plans to visit the Family Work Institute, and the Rita Gold Early Childhood Center at Colombia University; in Maryland, he will meet with officials at the Maryland Departments of Education and Human Resources. In Washington, he will visit the New America Foundation, the Urban Institute, the Heritage Foundation, and the AARP. Among the issues he may want to explore are the role of the family in society and the government role in supporting families; parental choices on work and child-care; the role of public and private sector, including faith-based, organizations in providing child-care; maternity, parental and family leave policies; and family support payments.

13. (U) De Geus has served as Minister for Social Affairs and Employment since July 2002. He is a member of the centrist Christian Democratic Party, the largest party in Prime Minister Jan Peter Balkenende's center-right coalition government. De Geus is the government's coordinator for Emancipation (gender equality) and Family Matters. His ministry has responsibility for policy in the areas of employment, social security, social assistance, industrial relations, gender equality and family issues. De Geus worked for the Christian Trade Union Federation (CNV) for nearly two decades, initially in its Industrial Sector, and ultimately as vice chairman of the Federation. In 1998 he became a partner in a consulting firm, where he specialized in issues related to the welfare state, working for both public and private sector clients. He has a law degree from Erasmus University in Rotterdam.

Political and Economic Background

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¶4. (U) The Netherlands is a constitutional monarchy with a parliamentary form of government. Queen Beatrix is the titular head of state. The center-right Balkenende government is in the third year of its four-year term (2003-2007). The government has proposed a wide range of measures and spending cuts intended to strengthen the economy, restore Dutch competitiveness, reduce bureaucracy, and enhance security. It has focused on fiscal consolidation, restructuring the social welfare system, improving the business climate, strengthening work incentives, fostering greater market flexibility, including the labor market, and spurring innovation. The government has made steady progress in its economic reform program, but its belt-tightening measures have not been popular, causing each of the three coalition partners to lose support in the polls.

¶5. (U) Municipal elections will be held in all Dutch cities on March 7. The results will be closely analyzed for clues on the balance of power between the governing coalition and the opposition parties, and will help shape party strategies for the 2007 general elections. Local elections, however, are only a rough barometer of party strength at the national level. Among the reasons for this are that there are a variety of small local parties that attract votes away from the major parties, voter turn-out is generally significantly lower than in national elections, and foreigners who are permanent residents of the Netherlands, including Moroccan and Turkish immigrants who are not Dutch citizens, are permitted to vote in local, but not national, elections.

¶6. (U) At a CDA election rally on February 21, De Geus said he planned to investigate whether it would be legally possible to establish live-in centers where unemployed young people could acquire work experience and discipline. He suggested that 30,000 to 35,000 jobless youth who are

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neither enrolled in an education program or eligible for unemployment payments could be assigned to such centers. These individuals, "when left to their own devices, threaten to become problems for themselves and society," he said. He declined to elaborate further until a report on the legal implications of such a scheme was completed.

¶7. (U) After performing exceptionally well in the 1990s, the Dutch economy has struggled since 2001, with growth averaging less than one percent per year. Unemployment has risen from below three to above six percent. Ethnic minorities have been hardest hit by the economic downturn. Unemployment among minorities is around 16 percent; among the Muslim population (primarily of Turkish and Moroccan decent) it has risen from 10 to over 20 percent. The economy is beginning to show signs of recovery; growth estimates for 2006 range between 2 and 2.75 percent. Over the last two years, the government has pushed through reforms in unemployment insurance, disability and health insurance, ended early retirement schemes. Problems remain, however, including rigid labor markets, high wage rates and declining productivity.

#### Labor and Collective Bargaining

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¶8. (U) Organized labor is well established in the Netherlands. Historically, labor relations are based on the "Polder model" of intensive consultation and negotiation among stakeholders (including employers and workers organizations and the government), and consensus-based decision-making. The Social and Economic Council (SER) and the Labor Foundation mediate negotiations between employers and labor. The SER is a tripartite body of representatives from employers' and labor organizations and independent members appointed by the government. The Labor Foundation is a forum for labor and employer cooperation.

¶9. (U) Agreements between employers and workers on labor conditions are generally established through a Collective Labor Agreement (CAO), that set wages and working hours, schedule periodic wage increases, and establish rules for a wide range of issues, including annual leave, training, social benefits and pension schemes. Once employers and unions reach agreement on a CAO, they may request the Social and Employment Minister to declare the agreement universally binding, thus extending its terms to all employees in that industrial sector. Some 1,200 CAOs cover more than 70 percent of the Dutch workforce.

¶10. (U) Although trade union federations are not formally allied with political parties, there are historic bonds between the Federation of Dutch Trade Unions (FNV), the largest union federation, and the left leaning Labor Party, and between the Christian Trade Union Federation (CNV) and the Christian Democratic Party. The third and smallest federation is the Trade Union Federation for Staff and Managerial Personnel (MHP).

Blakeman